

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares in Provident Financial plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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## **ANNUAL GENERAL MEETING 2009**

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Notice of the Annual General Meeting of the company to be held at the Marriott Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW on Wednesday 6 May 2009 at 12.30pm is set out in pages 4 to 11 of this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received by the Proxies Department at Capita Registrars by 12.30pm on Monday 4 May 2009.

**Provident Financial plc**

(incorporated and registered in England and Wales under number 668987)

**Registered Office:**

Colonnade  
Sunbridge Road  
Bradford  
West Yorkshire  
BD1 2LQ

23 March 2009

*To shareholders*

**Notice of Annual General Meeting**

Dear Shareholder,

I am pleased to be writing to you with details of our Annual General Meeting (“AGM”) which we are holding at the Marriott Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW on Wednesday 6 May 2009 at 12.30pm. Full details of the resolutions that will be put to shareholders are set out in the formal notice of Annual General Meeting which is set out on pages 4 to 11 of this document.

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy form sent to you with this notice and return it to our registrars as soon as possible. Shareholders must ensure that their proxy form is received by 12.30pm on Monday 4 May 2009.

**Resolutions**

In addition to the routine business, we are asking shareholders to approve some special items of business at this year’s AGM. These include amendments to the Provident Financial Long Term Incentive Scheme 2006 and the Provident Financial Performance Share Plan.

**Provident Financial Long Term Incentive Scheme 2006 (“LTIS”)**

Shareholders are being asked to approve some minor amendments to the rules of the LTIS which are set out in more detail in Appendix II on page 7 of this document. The effect of the amendments to the LTIS will be to remove the current discretion of the remuneration committee which is exercisable, in exceptional circumstances, to grant awards or options over shares in any financial year with a market value in excess of 150 per cent of a participant’s basic annual salary up to a maximum of 200 per cent of basic annual salary and simply increase the limit so as to allow awards and options over shares to be granted to a participant in any financial year with a market value of up to a maximum of 200 per cent of the participant’s basic annual salary irrespective of whether there are exceptional circumstances.

**Provident Financial Performance Share Plan (“PSP”)**

Shareholders are also being asked to approve the proposed amendments to the rules of the PSP which are set out in more detail in Appendix III on pages 8 to 11 of this document. The effect of the amendments to the PSP will be to allow the grant of matching awards pursuant to the PSP on the basis of two shares for each share acquired by a participant in lieu of part of his annual bonus as well as continuing to allow matching awards to be granted on the basis of one share for each share acquired by a participant in lieu of part of his annual bonus. The proposed amendments will also ensure that any matching award made on a two for one basis will be subject to a significantly more stretching performance target than that which will apply to matching awards made on a one for one basis.

### **Explanatory notes**

Explanatory notes on all the business to be considered at this year's AGM appear on pages 14 to 17 of this document.

### **Recommendation**

The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. Your board will be voting in favour of them and unanimously recommends that you do so as well.

Yours faithfully

**John van Kuffeler**

Chairman

# Provident Financial plc

## NOTICE OF ANNUAL GENERAL MEETING

The forty-ninth annual general meeting of Provident Financial plc will be held at the Marriott Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW on Wednesday 6 May 2009 at 12.30pm. You will be asked to consider and pass the resolutions below. Resolutions 11 to 13 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

### Ordinary resolutions

1. That the directors' report and the audited financial statements of the company for the year ended 31 December 2008 be adopted.
2. That the directors' remuneration report for the year ended 31 December 2008 be approved.
3. That a final dividend of 38.1p per share on the ordinary shares of 20 $\frac{1}{11}$ p each in respect of the year ended 31 December 2008 be declared and paid on 19 June 2009 to the holders of such ordinary shares on the register of members of the company at the close of business on 15 May 2009.
4. That Rob Anderson be appointed as a director of the company.
5. That John van Kuffeler be re-appointed as a director of the company.
6. That PricewaterhouseCoopers LLP be re-appointed as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
7. That the directors be authorised to determine the auditors' remuneration.
8. That in accordance with sections 366 and 367 of the Companies Act 2006, the company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are authorised to:
  - 8.1 make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;
  - 8.2 make political donations to political organisations other than political parties, not exceeding £50,000 in total; and
  - 8.3 incur political expenditure not exceeding £50,000 in total;(as such terms are defined in sections 363 to 365 of the Companies Act 2006) provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000 during the period beginning on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the company in 2010.
9. That the rules of the Provident Financial Long Term Incentive Scheme 2006 be amended in the manner set out in Appendix II to this notice of meeting, such amendments to be effective on the date upon which the remuneration committee of the company adopts such amendments.
10. That the rules of the Provident Financial Performance Share Plan be amended in the manner set out in Appendix III to this notice of meeting, such amendments to be effective on the date upon which the remuneration committee of the company adopts such amendments.

### Special resolutions

11. That the company is authorised, generally and without conditions, to make market purchases (within the meaning of section 163 of the Companies Act 1985) of its own ordinary shares of 20 $\frac{1}{11}$ p each ("ordinary shares"), provided that:
  - 11.1 the company may not purchase more than 13,188,373 ordinary shares;
  - 11.2 the minimum price which the company may pay for each ordinary share is the nominal value;

- 11.3 the maximum price (excluding expenses) which the company may pay for each ordinary share is 5% over the average of the middle-market price of an ordinary share, based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the company agrees to purchase the ordinary shares;
  - 11.4 this authority will last from the date of this annual general meeting until the end of the next annual general meeting or, if earlier, until 5 May 2010; and
  - 11.5 the company may agree, before the authority ends, to purchase ordinary shares even though the purchase is, or may be, completed after the authority ends.
12. That the directors be authorised pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution 11, as set out in the notice of annual general meeting held on 8 May 2008, and sell relevant shares (as defined in section 94 of the Companies Act 1985) held by the company as treasury shares (as defined in section 162A of the Companies Act 1985) for cash, as if section 89(1) of the Companies Act 1985 did not apply to such allotment or sale, provided that this power shall be limited to:
- 12.1 the allotment of equity securities where such securities are offered (whether by way of rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the company in proportion (as nearly as may be) to the number of ordinary shares then held by them (subject to any exceptions which the directors believe are necessary or expedient in relation to fractional entitlements or legal and practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange of any territory); and
  - 12.2 any other allotment of equity securities up to an aggregate nominal amount of £1,366,794.

Unless previously revoked, renewed or varied, such power shall expire on 5 May 2010, provided that the company may before that date make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after that date and the directors shall be entitled to allot such securities or sell such treasury shares in pursuance of such offer or agreement as if the power conferred by this agreement had not expired. All authorities previously conferred under section 95 of the Companies Act 1985 shall be revoked, provided that such revocation shall not have retrospective effect.

13. That a general meeting, other than an annual general meeting, may be called on no less than 14 clear days' notice.

Registered Office:  
Colonnade  
Sunbridge Road  
Bradford  
West Yorkshire  
BD1 2LQ

By order of the Board  
Kenneth J Mullen  
General Counsel and Company Secretary  
23 March 2009

Registered in England and Wales No. 668987

## APPENDIX I

### BIOGRAPHICAL DETAILS OF THE DIRECTORS STANDING FOR APPOINTMENT AND RE-APPOINTMENT

#### **Rob Anderson**

Independent non-executive Director, age 50

Graduated with a degree in business studies and joined Marks and Spencer Plc, where he spent 19 years, latterly as director of the childrenswear business unit. He joined Signet Group plc in 2000 and was appointed Chief Executive of Signet Jewelers Limited's UK division in 2002. He will chair the risk advisory committee and will also be a member of the audit committee, nomination committee and remuneration committee.

#### **John van Kuffeler**

Non-executive Chairman, age 60

Graduated with a degree in economics and qualified as a chartered accountant in 1973. He joined Provident Financial in 1991 as Chief Executive and was appointed Executive Chairman in 1997. He became non-executive Chairman in 2002. He is also Chairman of Hyperion Insurance Group Limited. He was formerly Chairman of Huveaux PLC. He chairs the nomination committee.

## APPENDIX II

### PROPOSED AMENDMENTS TO THE PROVIDENT FINANCIAL LONG TERM INCENTIVE SCHEME 2006

Paragraphs (a) to (h) below detail the amendments to the Provident Financial Long Term Incentive Scheme 2006 which would be effected by the approval of resolution 9 set out in this notice of annual general meeting:

- (a) In rule 1.1 of Part I: Awards of Conditional Shares, by inserting immediately before the definition "Auditors" the following definition:

"Amendment Date" means the date on which the amendments to the Plan approved by the Company in its annual general meeting held on 6 May 2009 were adopted by the Committee;"
- (b) In rule 2.1.3 of Part I: Awards of Conditional Shares, by inserting after the words "Company's results for any period", the words "and in the six weeks following the Amendment Date."
- (c) In rule 2.3.1 of Part I: Awards of Conditional Shares, by deleting the number "150" after the words "does not exceed" and replacing it with the number "200".
- (d) In rule 2.3.1 of Part I: Awards of Conditional Shares, by deleting the following words "In exceptional circumstances the Committee may apply a limit of twice the individual's annual salary", after the words "commissions and benefits in kind)".
- (e) In rule 1.1 of Part II: Options, by inserting immediately before the definition "Auditors" the following definition:

"Amendment Date" means the date on which the amendments to the Plan approved by the Company in its annual general meeting held on 6 May 2009 were adopted by the Committee;"
- (f) In rule 2.1.3 of Part II: Options, by inserting after the words "Company's results for any period", the words "and in the six weeks following the Amendment Date."
- (g) In rule 2.3 of Part II: Options, by deleting the number "150" after the words "does not exceed" and replacing it with the number "200".
- (h) In rule 2.3 of Part II: Options, by deleting the following words "In exceptional circumstances the Committee may apply a limit of twice the individual's annual salary", after the words "commissions and benefits in kind)".

## APPENDIX III

### PROPOSED AMENDMENTS TO THE PROVIDENT FINANCIAL PERFORMANCE SHARE PLAN

Paragraphs (a) to (l) below detail the amendments to the Provident Financial Performance Share Plan which would be effected by the approval of resolution 10 set out in this notice of annual general meeting:

- (a) In rule 1.1, by deleting the definition of "Additional Amount" and replacing it with the following definition of "Additional Amount":
- "means:
- (a) in relation to a Specified Employee, an amount equal to two times that Eligible Employee's Qualifying Bonus in any Financial Year as determined by the Committee; and
  - (b) in relation to any other Eligible Employee, an amount equal to that Eligible Employee's Qualifying Bonus in any Financial Year as determined by the Committee;"
- (b) In rule 1.1, by inserting immediately before the definition "Auditors" the following definition:
- "Amendment Date" means the date on which the amendments to the Plan approved by the Company in its annual general meeting held on 6 May 2009 were adopted by the Committee;"
- (c) In rule 1.1, by inserting immediately after the definition of "Subsidiary" the following definition:
- "Specified Employee" means an Eligible Employee whom the Committee have, in their sole discretion, designated as such pursuant to Rule 2.1.2;"
- (d) In rule 2.1.2, by inserting after the words "by such date as the Committee may specify" the following words, "The Committee may, in its sole discretion, designate any Eligible Employee (but for the avoidance of doubt, is not bound to do so) as a Specified Employee for the purpose of a particular invitation made to such Eligible Employee. The Committee shall, pursuant to any such designation, notify the relevant Eligible Employee of such determination in the invitation issued to him."
- (e) In rule 2.1.3, by inserting after the words "Company's annual results", the words "and in the six weeks following the Amendment Date."
- (f) By inserting the following new rule immediately after rule 2.1.3:
- "2.1.4 For the avoidance of doubt, should the Committee exercise its discretion to designate any particular Eligible Employee as a Specified Employee in relation to a particular invitation issued to such Eligible Employee pursuant to Rule 2.1.2, the Eligible Employee concerned shall only be regarded as a Specified Employee in respect of that invitation alone and shall not have any right or entitlement to be regarded or treated as a Specified Employee in relation to any other invitation issued to him pursuant to the Plan."
- (g) In rule 2.2.2, by inserting after the words "The Basic Award" the words, "pursuant to an invitation made under Rule 2.1.2."
- (h) In rule 2.2.3, by inserting after the words "The Matching Award" but before the words, "shall be over such number of Shares with a Market Value", the words, "pursuant to an invitation made under Rule 2.1.2".
- (i) In rule 2.2.3, by inserting after the words "but not in excess of, the Additional Amount" the words, "in respect of the Eligible Employee concerned determined in accordance with which ever one of paragraph (a) or (b) of the definition of Additional Amount, is applicable to such Eligible Employee in relation to the invitation pursuant to which the Matching Award is made."
- (j) In rule 2.3.1, by inserting after the words "set out in Appendix C" the words, "in respect of a Matching Award made to an Eligible Employee who is not a Specified Employee and those set out in Appendix D in respect of a Matching Award made to an Eligible Employee who is a Specified Employee."

- (k) By deleting Appendix C and replacing it with the following new Appendix C:

#### APPENDIX C

##### PERFORMANCE TARGET APPLYING TO MATCHING AWARDS GRANTED TO ELIGIBLE EMPLOYEES WHO ARE NOT SPECIFIED EMPLOYEES

- (1) Until such time as the Committee determines otherwise in accordance with Rule 2.3.1 of the Plan the vesting of a Matching Award granted under the Plan to an Eligible Employee who is not a Specified Employee shall be subject to the satisfaction of the Performance Target set out in paragraphs 2 to 3 below.
- (2) The Matching Award shall not vest unless the average annual percentage growth in earnings per share over the Performance Period is equal to or greater than the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period.
- (3) If the average annual percentage growth in earnings per share over the Performance Period is equal to or greater than the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period, the Matching Award shall vest as to 100% of the Shares subject to the Matching Award.
- (4) If the average annual percentage growth in earnings per share over the Performance Period is less than the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period, all the Shares subject to the Matching Award shall immediately be forfeited.
- (5) It is intended that the percentage growth in earnings per share over the Performance Period will be determined by expressing the amount by which the earnings per share figure for the third Financial Year of the Performance Period exceeds the earnings per share figure for the Financial Year immediately preceding the start of the Performance Period ("the Opening EPS") as a percentage of the Opening EPS. This percentage will then be divided by 3 to produce the average annual percentage growth in earnings per share over the Performance Period. Earnings per share will be the earnings per share as shown in the consolidated audited accounts of the Company (subject to any adjustments as the Committee, in its absolute discretion, considers to be reasonable).
- (6) It is intended that the percentage growth in the Retail Price Index will be determined by expressing the amount by which the published figure for the month in which the Performance Period ends exceeds the published figure for the month ending immediately before the commencement of the Performance Period ("the Opening RPI") as a percentage of the Opening RPI. This percentage will then be divided by 3 to produce the average annual percentage growth in the Retail Price Index over the Performance Period.
- (7) It shall be the responsibility of the Committee to determine whether, and to what extent, the Performance Target set out in this Appendix C has been satisfied.
- (8) For the purpose of this Appendix C:
  - "Financial Year" means a financial year of the Company as determined in accordance with Section 390 of the Companies Act 2006;
  - "Matching Award" means a Matching Award granted pursuant to the Plan to an Eligible Employee who is not a Specified Employee;
  - "Performance Period" means the period of three consecutive Financial Years commencing on the first day of the Financial Year in which the Matching Award is granted;
  - "Retail Price Index" means the all items retail price index as published by the Central Statistical Office or such other body as replaces the same; andall other terms used in this Appendix C shall have the same meaning as defined in the Plan.
- (9) Any adjustments made to the Performance Target shall be in accordance with and subject to Rule 2.3.2 of the Plan.
- (10) Any calculations or determinations by the Committee in accordance with the Performance Target shall not be open to question and shall be final and binding on all persons concerned. The Committee may request the auditors of the Company to carry out any or all of the

calculations and determinations of the Committee in connection with the Performance Target. If so, the auditors shall act as experts and not as arbitrators and their calculations and determinations shall not be open to question and shall be final and binding on all persons concerned.

- (l) By inserting immediately after Appendix C the following new Appendix:

#### Appendix D

##### PERFORMANCE TARGET APPLYING TO MATCHING AWARDS GRANTED TO ELIGIBLE EMPLOYEES WHO ARE SPECIFIED EMPLOYEES

- (1) Until such time as the Committee determines otherwise in accordance with Rule 2.3.1 of the Plan the vesting of a Matching Award granted under the Plan to an Eligible Employee who is a Specified Employee shall be subject to the satisfaction of the Performance Target set out in paragraphs 2 to 5 below.
- (2) A Matching Award shall not vest unless the average annual percentage growth in earnings per share over the Performance Period is equal to or greater than the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period. If the average annual percentage growth in earnings per share over the Performance Period is less than the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period all the Shares subject to the Matching Award shall immediately be forfeited.
- (3) If the average annual percentage growth in earnings per share over the Performance Period is equal to the average annual percentage growth in the Retail Price Index plus 3% over the Performance Period ("the Lower Target"), the Matching Award shall vest as to 50% of the Shares subject to the Matching Award (rounded down to the nearest whole number of Shares).
- (4) If the average annual percentage growth in earnings per share over the Performance Period is equal to or greater than the average annual percentage growth in the Retail Price Index plus 7% over the Performance Period ("the Upper Target"), the Matching Award shall vest as to 100% of the Shares subject to the Matching Award.
- (5) If the average annual percentage growth in the earnings per share over the Performance Period falls between the Lower Target and the Upper Target, the Matching Award shall vest over such percentage between 50% and 100% of the Shares subject to the Matching Award (rounded down to the nearest whole number of Shares) as relates to the amount by which, on a straight line basis, the Lower Target has been exceeded. This percentage will be calculated using the following formula:  
$$50 + [12.5 \times (z - 3)]$$
where "z" is the average annual percentage growth in earnings per share over the Performance Period minus the average annual percentage growth in the Retail Price Index over the Performance Period.
- (6) It is intended that the percentage growth in earnings per share over the Performance Period will be determined by expressing the amount by which the earnings per share figure for the third Financial Year of the Performance Period exceeds the earnings per share figure for the Financial Year immediately preceding the start of the Performance Period ("the Opening EPS") as a percentage of the Opening EPS. This percentage will then be divided by 3 to produce the average annual percentage growth in earnings per share over the Performance Period. Earnings per share will be the earnings per share as shown in the consolidated audited accounts of the Company (subject to any adjustments as the Committee, in its absolute discretion, considers to be reasonable).
- (7) It is intended that the percentage growth in the Retail Price Index will be determined by expressing the amount by which the published figure for the month in which the Performance Period ends exceeds the published figure for the month ending immediately before the commencement of the Performance Period ("the Opening RPI") as a percentage of the Opening RPI. This percentage will then be divided by 3 to produce the average annual percentage growth in the Retail Price Index over the Performance Period.
- (8) It shall be the responsibility of the Committee to determine whether, and to what extent, the Performance Target set out in this Appendix D has been satisfied.

(9) For the purpose of this Appendix D:

“Financial Year” means a financial year of the Company as determined in accordance with Section 390 of the Companies Act 2006;

“Matching Award” means a Matching Award granted pursuant to the Plan to an Eligible Employee who is a Specified Employee;

“Performance Period” means the period of three consecutive Financial Years commencing on the first day of the Financial Year in which the Matching Award is granted;

“Retail Price Index” means the all items retail price index as published by the Central Statistical Office or such other body as replaces the same; and

all other terms used in this Appendix D shall have the same meaning as defined in the Plan.

(10) Any adjustments made to the Performance Target shall be in accordance with and subject to Rule 2.3.2 of the Plan.

(11) Any calculations or determinations by the Committee in accordance with the Performance Target shall not be open to question and shall be final and binding on all persons concerned. The Committee may request the auditors of the Company to carry out any or all of the calculations and determinations of the Committee in connection with the Performance Target. If so, the auditors shall act as experts and not as arbitrators and their calculations and determinations shall not be open to question and shall be final and binding on all persons concerned.

## Explanatory notes

### Attending the Annual General Meeting

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the company of the votes they may cast), shareholders must be registered on the Register of Members of the company at 12.30pm on Monday 4 May 2009 (or, in the event of any adjournment, 12.30pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

As at 20 March 2009 (being the last business day prior to the publication of this notice) the company's issued share capital consists of 131,883,738 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 20 March 2009 are 131,883,738.

### Proxy

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras).

To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by the Proxies Department at Capita Registrars no later than 12.30pm on Monday 4 May 2009.

The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described on page 13) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

If you are not a shareholder but enjoy "information rights", you should contact the person who nominated you to receive these rights to see if the agreement you have with them gives you the right to be appointed as the

proxy. If you don't have this right, or don't wish to exercise it, you may still have the right to tell the person who nominated you how you would like them to vote.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under the agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

### Electronic voting

If you would like submit your proxy vote via the internet, you can do so by accessing our registrar's website at [www.capitaregistrars.com](http://www.capitaregistrars.com).

### Corporate representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance

includes a sample letter of representation if the chairman is being appointed as described in (i) above.

### **Shareholder requests under Section 527 of the Companies Act 2006**

Shareholders should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the Companies Act 2006, the company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under section 527 of the Companies Act 2006 to publish on a website.

### **CRESTCo voting facility**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction

given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.30pm on Monday 4 May 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### **Documents on display**

The following documents will be available for inspection at the company's registered office, Colonnade, Sunbridge Road, Bradford, West Yorkshire BD1 2LQ during normal business hours (9.00am to 5.00pm on weekdays) from the date of this letter until the time of the AGM and at the Marriott Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW from 11.30am on the day of the AGM until the conclusion of the AGM:

- Copies of the executive directors' service contracts
- Copies of letters of appointment of the non-executive directors

The following documents will be available for inspection at the company's registered office, Colonnade, Sunbridge Road, Bradford, West Yorkshire BD1 2LQ and at the offices of Vanquis Bank Limited, 12 Arthur Street, London, EC4R 9AB during normal business hours (9.00am to 5.00pm on weekdays) from the date of this letter until the time of the AGM and at the Marriott Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW from 11.30am on the day of the AGM until the conclusion of the AGM:

- A copy of the existing rules of the Provident Financial Long Term Incentive Scheme 2006, marked to show the changes being proposed in resolution 9; and
- A copy of the existing rules of the Provident Financial Performance Share Plan, marked to show the changes being proposed in resolution 10.

### **Resolutions**

The following notes give an explanation of the proposed resolutions.

Resolutions 1 to 10 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 11 to 13 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

#### **Resolution 1: Directors' report and financial statements**

The directors' report and the audited financial statements of the company for the year ended 31 December 2008 (the "annual report") have been made available to shareholders and will be presented at the AGM. The annual report may also be accessed on the company's website at [www.providentfinancial.com](http://www.providentfinancial.com).

#### **Resolution 2: Directors' remuneration report**

The directors' remuneration report is contained in the annual report. It may also be accessed on the company's website at [www.providentfinancial.com](http://www.providentfinancial.com).

#### **Resolution 3: Dividend**

Shareholders must approve the final dividend for each ordinary share. However, the final dividend cannot be more than the amount which the directors recommend (which is 38.1p for each ordinary share). Under the Articles of Association of the company the

directors can pay interim dividends (these are dividend payments made during the year). The final dividend proposed in this resolution is in addition to the interim dividend of 25.4p for each ordinary share which was paid on 28 November 2008.

#### **Resolution 4: Appointment of director**

Rob Anderson was appointed to the board on 2 March 2009. Under the Articles of Association of the company he will hold office only until the AGM at which he will be eligible for appointment. Rob Anderson has confirmed that he will stand for appointment and the board has unanimously agreed that he will make an effective and valuable contribution to the board. There is further information about this director and the board committees on which he sits in Appendix I of this document.

#### **Resolution 5: Re-appointment of director retiring under the Articles of Association**

The Articles of Association of the company state that each director should retire, but may be reappointed, at least at every third AGM. (This does not include directors appointed by the board since the last AGM). Furthermore, each director must offer himself for re-appointment annually once he has served for nine years or more. John van Kuffeler has served for more than nine years and has confirmed that he will stand for re-appointment. There is information about him and the board committee on which he sits in Appendix I of this document.

In accordance with the Combined Code it is confirmed that a formal performance evaluation has been carried out and that John van Kuffeler continues to be an effective member of the board and to demonstrate commitment to his role.

#### **Resolutions 6 & 7: Re-appointment and remuneration of auditors**

The company is obliged by law to re-appoint its auditors annually. The audit committee considered the re-appointment of PricewaterhouseCoopers LLP at its meeting in February 2009 and recommended this to the board. Resolution 7 authorises the directors to set the auditors' remuneration.

#### **Resolution 8: Authority to make political donations**

This resolution renews the resolution that was passed at the 2008 AGM and seeks approval from shareholders to enable the company to make donations or incur expenditure which it

would otherwise be prohibited from making or incurring by the Companies Act 2006.

Amongst other things, the Companies Act 2006 prohibits companies and their subsidiaries from making political donations or incurring political expenditure in excess of an aggregate of £5,000 in relation to a political party or other political organisation or an independent election candidate in the 12 month period following the date of their first AGM after the new legislation came into effect (and in each succeeding 12 month period), unless such donations and expenditure have been approved in advance by the company's shareholders.

The company and its subsidiaries do not currently make donations to political parties and do not intend to do so in the future. However, the Companies Act 2006 contains wide definitions of "political donation", "political organisation", "political expenditure" and "political party" and, as a result, it is possible that the company and its subsidiaries may be prohibited from supporting bodies which it is in the shareholders' interests for the company to support; for example, bodies concerned with policy review or law reform, with the representation of the business community or sections of it or special interest groups. If this resolution is passed the company and its subsidiaries will be authorised to make donations and incur expenditure which might otherwise be prohibited by the legislation, up to a limit of, in aggregate, £50,000. The directors consider that the authority is necessary to provide the company with comfort that it will not, because of uncertainties as to the scope and interpretation of the legislation, unintentionally commit a technical breach of it. It will also allow the company and its subsidiaries to provide financial and other support to organisations which it is in shareholders' interests for the company to support.

As permitted under the Companies Act 2006, the resolution extends not only to the company but also covers all companies which are subsidiaries of the company at any time the authority is in place. The resolution authorises the company and its subsidiaries to:

- (i) make political donations to political parties or independent election candidates not exceeding £50,000 in total;
- (ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and

(iii) incur political expenditure not exceeding £50,000 in total provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000 in the period up to the company's next AGM.

As required by the Companies Act 2006, the resolution is in general terms and does not purport to authorise particular donations.

### **Resolution 9: Amendments to the LTIS**

Resolution 9 will, if passed, approve the proposed amendments to the rules of the LTIS. Details of the proposed amendments sought are set out in Appendix II which forms part of the notice of the annual general meeting. A summary of the amendments and the reasons for making them are set out below.

As currently drafted, the rules of the LTIS only permit awards to be granted to a participant in any financial year over shares with an aggregate market value of up to 150% of that participant's basic annual salary. In exceptional circumstances this limit may be increased to 200% of the individual's basic annual salary.

Following the company's demerger in 2007, the remuneration committee has sought the advice of external remuneration consultants in relation to the incentive arrangements in place post demerger and in particular the individual limits contained in the LTIS and the remuneration consultants engaged by the company have recommended that the individual limit contained in the LTIS should be increased from 150% of the participant's annual basic salary to 200%. It is, therefore proposed that the current discretion of the remuneration committee which is exercisable, in exceptional circumstances only, to grant awards or options over shares in any financial year with a market value up to a maximum of 200% of basic annual salary be removed and the general limit to allow awards and options over shares to be granted to a participant in any financial year with a market value of up to a maximum of 150% of the participant's basic annual salary be increased to 200% of the participant's basic annual salary. The maximum market value of shares which can be placed under an award granted pursuant to the LTIS to a participant in any financial year will (if the proposed amendments are adopted), therefore, be limited to 200% of a participant's basic annual salary.

Although the company does not currently grant options pursuant to the LTIS it is

proposed that the same amendments be made to similar provisions contained in Part II of the Plan which deals with the grant of options to ensure consistency should the decision be made in the future to grant options pursuant to the LTIS.

#### **Resolution 10 : Amendments to the PSP**

Resolution 10 will, if passed, approve the proposed amendments to the PSP. Details of the proposed amendments sought are set out in Appendix III which forms part of the notice of the annual general meeting. A summary of the amendments and the reasons for making them are set out below.

The rules of the PSP currently only allow the company to grant matching awards pursuant to the plan on the basis of one share for each share acquired by a participant in lieu of part of his annual bonus. Having taken advice from external remuneration consultants the company is proposing to amend the PSP to allow the company to grant matching awards on the basis of two shares for each share acquired by a participant in lieu of part of his annual bonus as well as continuing to allow matching awards to be granted on the basis of one share for each share acquired by a participant in lieu of part of his annual bonus.

In relation to matching awards which are granted on a two for one basis as described above, the company propose that such awards be granted subject to more stretching performance conditions than those that currently apply to matching awards granted pursuant to the PSP on a one for one basis. It is, therefore, proposed that a participant who receives a matching award on a two for one basis will only be entitled to receive all the shares subject to such award if the average annual percentage growth in earnings per share ("EPS") over the three year performance period applying to the award ("Performance Period") is equal to or greater than the average annual percentage growth in the retail prices index ("RPI") plus 7% over the Performance Period ("Upper Target"). If the average annual percentage growth in EPS over the Performance Period is equal to the average annual percentage growth in RPI plus 3% over the Performance Period ("Lower Target") then the matching award will only vest as to 50% of the shares subject to it. Where the average annual percentage growth in EPS over the Performance Period falls between the Lower Target and the Upper Target the number of shares over which the matching award will vest shall be determined on a straight line basis between

50% and 100% of the shares subject to the matching award. The performance target described above is proposed to be inserted as a new Appendix D to the rules of the PSP and will be the standard performance target that will apply to matching awards made on a two for one basis in the absence of the remuneration committee exercising their discretion pursuant to the rules of the PSP to determine that a different target should apply.

The company does not propose to amend the performance target set out in Appendix C to the rules of the PSP which applies to matching awards granted on a one for one basis in the absence of the remuneration committee determining that a different performance target should apply. Where a matching award is granted on a one for one basis and the remuneration committee do not determine that a different target will apply it remains that a matching award granted on a one for one basis will only vest to the extent that the average annual percentage growth in EPS over the Performance Period is equal to the average annual percentage growth in RPI plus 3% over the Performance Period. However, it is proposed that the existing performance target set out in Appendix C to the rules of the PSP which will continue to apply for matching awards granted on a one for one basis where the remuneration committee do not determine that a different target should apply be revised to ensure the drafting is consistent with the way in which the performance target applying to matching awards granted on a two for one basis operates.

Since the demerger in 2007, the company has continued to perform well and these amendments to the LTIS and PSP are designed to allow the company to recognise the sound judgement and decisions of the current management team, to reflect the relative size and performance of the company following a successful transformation after the demerger, as well as to allow the company to reward the ongoing delivery of strong results to shareholders.

#### **Resolution 11: Authority for the company to purchase its own shares**

This resolution renews the resolution that was passed at the 2008 AGM giving the company authority to purchase its own shares in the market up to a maximum of approximately 10% of the issued ordinary share capital of the company. No shares were purchased pursuant to that authority. The resolution sets out the maximum number of shares which may be purchased, which is

approximately 10% of the issued ordinary share capital of the company as at 20 March 2009, the highest and lowest prices which may be paid and the date when this authority runs out. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the directors at the time of purchase on the basis of the shareholders' best interests. If the directors decide to hold such shares as treasury shares, any subsequent issue of these treasury shares for the purposes of equity based incentive schemes will be treated as being included in the 10% anti-dilution limit in those schemes.

The directors are committed to managing the capital of the company effectively. Any purchases would be made only if to do so would result in an increase in earnings per share of the company and would be in the best interests of shareholders generally. Earnings per share is the profit after tax of the company divided by the weighted average number of shares in issue during the year. The directors have no present intention of making purchases of the company's shares pursuant to this authority.

#### **Resolution 12: Power to allot shares for cash**

Resolution 11 passed at the 2008 AGM gave the directors power to allot shares up to an aggregate nominal amount of £8,975,879 up until 7 May 2013. Resolution 16 passed at the 2008 AGM gave the directors authority to allot shares for cash up to an aggregate nominal amount of £1,359,981 up until 7 May 2009. No shares were issued pursuant to these authorities. It is now proposed to seek further authority to allot shares for cash.

This resolution gives the directors power to allot equity securities in exchange for cash and to sell treasury shares other than to existing holders of ordinary shares in proportion to their holdings. Equity securities are ordinary shares in the company (but do not include shares which are allotted under employees' share schemes). This power is limited to an offer of equity securities by way of a rights issue or an open offer or similar procedure under which a company offers existing shareholders the chance to acquire new shares. The number of shares they can acquire depends on the number of shares they already own. This is one way by which companies can raise extra capital. However, the rules in some countries make it difficult to include shareholders in those countries in such offers. The power given by this resolution means that the directors can make separate arrangements for those shareholders.

The directors may also make separate arrangements for any fractions of shares which are left over.

In addition, this power allows the directors to issue ordinary shares for cash or sell treasury shares without first having to offer the shares to existing shareholders, up to a maximum of 6,594,186 shares. This is approximately 5% of the issued ordinary share capital of the company on 20 March 2009.

The Association of British Insurers have issued guidelines recommending that a company should not issue shares for cash (without first offering them to existing shareholders) in any one year in excess of 5% of the issued ordinary share capital of the company as shown in its last accounts and in excess of an aggregate of 7.5% in any rolling period of three years. It is the company's intention to comply with these guidelines.

The company does not currently hold any treasury shares.

#### **Resolution 13: Notice for general meeting**

This resolution gives the company the authority to call general meetings (other than AGMs) on 14 clear days' notice. Listed companies are currently permitted under the Companies Act 2006 to call a general meeting (other than an AGM) on 14 clear days' notice. The Companies Act 2006 is due to be amended from 3 August 2009 to implement the EU Shareholder Rights Directive. One of the amendments will increase the minimum notice period for general meetings to 21 days. However, the company is requesting that shareholders approve a resolution to reduce the minimum notice period back to 14 clear days.





